Comments for a Forum Discussion of the
"Long-term Impact of Immigration on Social Security and the National Economy"
Sponsored by the Social Security Advisory Board

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Dirksen Senate Office Building, Washington, D.C.
September 7, 2005

Thank you for the opportunity to participate in this forum and to offer some remarks about efforts to anticipate future trends in international migration both to and from the United States. I believe that the importance of this task is illustrated most clearly by a key finding of the Technical Panel convened in 2003 by the Social Security Advisory Board.

At that time the actuarial deficit for the OASDI trust fund was 1.92 percent of the national payroll, according to projections made by the Office of the Chief Actuary and published in the Annual Report by Social Security's Board of Trustees. In other words, erasing the deficit within a 75-year time frame would require an immediate and permanent 1.92 percentage-point increase in the payroll tax that funds the system.

The charge of the Technical Panel was to review and make recommendations concerning the methods and assumptions underlying this conclusion. Thus, we considered a wide range of topics bearing on both the demographic and economic factors that will affect the balance of the Social Security trust funds in years to come. And we made a number of recommendations for changes in various components of the Trustees' official projections.

The importance of a particular recommendation can be judged based on how much it would change the projected actuarial deficit if adopted in place of the assumption(s) used in the official projections. By this standard the Technical Panel's recommendation regarding international migration was its most significant piece of advice: if the Technical Panel's recommendation had been used in place of the assumption employed by the Trustees back in 2003, the anticipated 75-year deficit would have fallen by 0.25 percent of payroll, or from 1.92 to 1.67.

Little has changed in this regard since 2003. In the annual Trustees Report for 2005, the projected 75-year deficit is again 1.92, and assumptions concerning future trends in international migration are also essentially the same in 2005 as in 2003. Therefore, the Panel's conclusion that a more realistic set of migration assumptions would result in roughly a quarter percentage-point reduction in the actuarial deficit, remains as relevant today as it was two years ago.

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I would like to offer you some more of my thoughts about the Technical Panel's work on the topic of projecting international migration in a few moments. But first, since I was assigned the role of discussant, I will share a few comments concerning the excellent paper by Neil Howe and Richard Jackson about the current state of practice and theory in this area.

The report is well written and makes an important contribution to the subject at hand. It has three main areas of emphasis. First, it offers an excellent and detailed overview of current practices followed by national statistical offices and international agencies when faced with the task of projecting international migration. Second, it contains a succinct review of the major theoretical frameworks that purport to explain major trends in international migration. Third, it makes a call for better practice, in the belief that theories and formal models of international migration could provide a more secure foundation for projecting future trends.

The review of current practices is the longest and, in my opinion, the most valuable part of the paper by Howe and Jackson. Here, for example, we learn how other countries have grappled with the thorny issue of whether official projections of population trends should only include assumptions about international migration that are consistent with laws that regulate the flows of persons across national borders. Some, like Canada and the U.S. Social Security Administration, attempt to build their projections around an interpretation of current immigration law. Others, like Germany, explicitly reject the value of such an approach. And in Spain – a country that experienced a major surge of illegal migration during the 1990s – the National Institute of Statistics referred in 2001 to the "inherent clandestine nature of immigration." (Howe and Jackson, 2005:7)

In this excellent review of current practices, we also learn about various attempts to project migration trends using formal models, which project migration trends by positing dynamic links between the cross-border flows of people and other quantifiable factors. For example, because migration out of the United States has been dominated historically by prior immigrants, the U.S. Census Bureau assumes that the number of emigrants will change over time in fixed proportion to the stock of foreign-born persons in the national population. (Howe and Jackson, 2005:12)

This is what we might call a *fixed-rate* approach, as opposed to a *fixed-level* approach. The fixed-level approach – which is employed in the Social Security projections – assumes that the annual number of migrants will be constant over time. The fixed-rate approach, on the other hand, assumes that the ratio of the annual number of migrants to some base population will be fixed in the future. Therefore, if the base population grows over time, so does the annual number of migrants. The Census Bureau's use of the fixed-rate approach for projecting emigration, which began in the year 2000, provided an important precedent for the recommendation later put forth by the 2003 Technical Panel, which proposed a much broader application of the fixed-rate method of forecasting international migration to the United States.

By comparison to this first section on current practices, the second and third sections of the Howe-Jackson report are much shorter and, in my opinion, less valuable in terms of what they contribute to the current discussion. As noted already, in these sections of their report, the authors review various theories of international migration; they then make a call for incorporating such theories into actual practice, but they offer no concrete examples of how this should be done.

The six theories, or frameworks, reviewed in Chapter 2 of the Howe-Jackson report help us to understand many key facets of international migration in the past and, presumably, the future as well. At least two of the theories ("neoclassical" and "world systems" frameworks) help us to understand the direction of migration flows, which run mostly from poor to rich countries, but which also tend to reflect historical ties between countries going back decades or even centuries (often grounded in colonialism or other relationships). Another of the six theories ("policy framework") reminds us that although international migration may be driven by world economic trends over the long term, specific migration patterns have been guided as well by national policies, which help give a particular form to the flows of international migrants around the world (both in terms of who gets into a particular country during a given time period, and when historical discontinuities occur, leading to fundamental changes in levels or trends).

The last three of the theories reviewed by Howe and Jackson ("new economics," "social network," and "dual labor market" frameworks) help us to understand why there is a tendency toward the growth and persistence of international migration trends once they get started. For example, international migration is often part of a complex family strategy of risk or asset management, in which one or more children move abroad to earn hard currency, while others stay at home to care for parents, children, and others who cannot migrate as easily. Also, in many situations international migration is facilitated by complex social networks, in which ties between family or community members provide financial and logistical support to new migrants. Finally, international migration is sustained and encouraged by a common characteristic of labor markets in rich countries with long histories of immigration: in such situations labor markets tend to become segmented, meaning that certain jobs come to be associated with immigrants, providing a point of entry into the labor force for ongoing waves of newcomers.

What these last three theories have in common is an emphasis on the complexity of migration processes, and on how such processes are firmly embedded in the everyday lives of the people involved. In my opinion, this combination of complexity and embeddedness provides a powerful argument against the assumption that there will be a sudden end to the remarkable increase in levels of immigration to the United States that has occurred over the past several decades.

Thus, the theories reviewed in the paper by Howe and Jackson offer many useful insights and may help to explain several key facets of international migration trends: as noted, they help to explain the direction of flows of migrants around the world, the historical background and turning points in such flows, and the general tendency toward growth and persistence in these flows. However, they are silent (or in any case imprecise) about

what is the most important issue for our purposes: the *size* of such flows. Personally, I am rather skeptical about the suggestion that the theories reviewed in the report by Howe and Jackson could be turned into formal models yielding precise and plausible predictions of future trends in international migration.

Notably missing from their list is a quantifiable theory of what determines the magnitude of migration to and from a particular country, such as the United States. Here, I believe that the work of the 2003 Technical Panel is especially relevant, because one of the key recommendations by that Panel was based (implicitly) on a theoretical framework that emphasizes the *scale* of the process. According to this theory – which may be relevant only for the United States or similar countries with long histories of immigration – the number of migrants in any historical era depends on size: the size of the U.S. population is one factor, but so is the size of the national economy and of the world population.

The approach advocated by the 2003 Technical Panel was termed "simplistic" by Howe and Jackson in their review of the topic (Howe and Jackson, 2005:14). I do not deny that the label is correct, nor do I take it as a criticism: in my opinion simplicity in population projections is a virtue, not a fault. The Panel suggested the very simple approach of assuming that the number of net migrants to the U.S. will grow – at least in the long run – in direct proportion to the size of the U.S. population. Admittedly, more complex models are possible, but they might not be worth the effort.

Consider the example of spouses of U.S. citizens, who may become legal permanent residents of the U.S. without regard for any sort of numerical restriction on the number of such applications received in a given year. Other factors being equal, it is clear that the number of such spouses should grow in direct proportion to the size of the U.S. population (or perhaps in relation to the "marriageable" population of the country).

Compare the case of refugees, however. In this instance it might make more sense to tie the projected trend to the size of the population of the rest of the world, which is the source of refugees to the U.S. Or, consider the case of emigration. As noted earlier, the U.S. Census Bureau derives projections of emigration using a model of scale, but in this case the base population from which emigrants are drawn in the stock of foreign-born persons residing in the country. Thus, the number of emigrants changes over time in proportion to the size of the foreign-born population.

How much difference does it make if one substitutes the U.S. national population as the base population in these two cases, as occurs in the simple model that underlies the migration projections proposed by the 2003 Technical Panel? Since both the U.S. and world populations have been growing historically at a rate of around 1-2 percent per year for several decades, it may not make a large difference whether the assumed growth in refugee inflows is modeled as a function of the U.S. population, or of the population of the rest of the world. Similarly, at least for long-term projections, it might not introduce an enormous change if the flow of persons out of the country were expressed in proportion to the total population, since the sizes of both the total and foreign-born populations tend to change in similar ways over the long run.

Admittedly, the Technical Panel's simple model may produce less plausible projections of the various components of net migration compared to a more complicated version with more appropriate choices for the base population in each case. However, the errors involved in specific cases may tend to cancel out, so that using the U.S. population as the base for a fixed-rate projection of total net migration may provide a plausible first approximation. In any case, more analysis of this topic would be useful.

In short, the 2003 Technical Panel could have developed a more elaborate theory of scale, and a more complex model of migration dynamics in which the different components of net migration were projected in direct proportion to different base populations. However, the Panel made an explicit choice to avoid a more complex model, because it did not wish to overshadow its main substantive message with a proposal for an overly complicated method. The Panel's main substantive message in this regard was that the current assumptions employed by the Trustees when projecting the future balances of the Social Security trust funds are implausibly low.

This conclusion derives from an observation that historical levels of net migration have continued to increase in recent decades and show no signs of slowing down. This observation was supported by some of the theories reviewed earlier, which offer sound explanations for the growth and persistence of such trends over time. Although some factors may point toward decreasing trends in future decades, there are at least as many reasons to expect increasing trends. In the end the Panel reasoned that such a clear and striking pattern of historical increase should be expected to continue, at least for the next few decades, after which it is reasonable to assume that migratory flows will change over time in direct proportion to changes in the overall size of the U.S. population.

In order to make such a change in projection method, the Panel noted that it would be necessary to abandon the current practice of constraining forecasts to be consistent with current law. Concerning this issue, it is important to recall three main points: 1) current laws may change; 2) many categories of legal immigration are not numerically restricted under the provisions of current law (e.g., immediate relatives and refugees); and 3) a growing share of immigration to the United States consists of unauthorized entry by undocumented persons (many of whom later manage to legalize their status in the country, even though their initial entry or settlement was illegal).

Therefore, allow me to close by proposing that some legislative or administrative guidance may be needed to help clarify the relationship between official population projections and current immigration law. I am not certain about the appropriate mechanism for introducing such a change, but the end goal is very clear: I believe strongly that assumptions concerning future trends in international migration, which figure prominently in official projections of the Social Security trust funds and other important government programs, should be based on the best considered judgment about likely future trends and should not be constrained by any particular interpretation of what current law implies about those trends.